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CHARLES ELMORE CROPLEY

IN THE

SUPREME COURT OF THE UNITED STATES.

OCTOBER TERM, 1948.

No. 489.

JACK L. HARRIS and B. T. CALHOUN, Doing Business as Co-Partners Under the Trade Name of H-C Products Company,
Petitioners,

vs.

NATIONAL MACHINE WORKS, INC., a Delaware Corporation, and THEODORE C. GERNER,
Respondents.

PETITIONERS' REPLY BRIEF
to
RESPONDENTS' BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI
and
SUPPORTING BRIEF.

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Respondents' Brief is based on misconceptions of the questions involved and on which the Petition is based.

This Court is not asked to rule, (1) whether the patent in suit is valid or invalid; (2) whether Petitioners' acts would or would not ordinarily constitute an infringement

of the patent; (3) whether Petitioners have or have not competed unfairly with Respondents.

The first question involved here is whether Respondents can ask a Court of Equity for an injunction against Petitioners if Respondents have misused the patent privilege by using a combination patent to protect an unpatented part from competition. As this Court said in the Mercoid Case, 320 U. S. at page 668:

> ". . . That result obtains here though we assume for the purposes of this case that Mercoid was a contributory infringer and that respondents could have enjoined the infringement had they not misused the patent for the purpose of monopolizing unpatented material."

Referring to Respondents' Brief, Petitioners do not ask this Court for "a retrial of the patent phase of a litigation," p. 2; nor to "review the evidence in an ordinary patent case on the ordinary questions of validity and infringement," p. 3; but rather "to settle questions of vital importance to our federal legal system," p. 3. Petitioners do not ask this Court to review the "findings of fact" of the District Court, or to hold that those findings "are not justified by the evidence," p. 4.

The cases cited in Respondents' Brief page 3 involved the following situations: Layne & Bowler Corp. v. Western Well Works, Inc., 261 U. S. 387, involved as this Court said, page 388: "an ordinary patent case as to which it was contended two circuits had differed in respect to the validity and scope of the patent." This Court, however, found, page 392: ". . . that they were really in harmony and not in conflict." Keller v. Adams-Campbell Co., 264 U. S. 314, again involved, page 319, "an ordinary patent case." This Court found that there was not involved "an

important issue of general patent law." Continental Paper Bag Co. v. Eastern, 210 U. S. 405, 416, was a case where certiorari was actually granted. That case simply decided, as did Universal Oil v. Globe, 322 U. S. 471, 473, that where questions "of infringement and validity are purely factual this Court ordinarily accepts the concurrent conclusions of the district court and Circuit Court of Appeals." We do not have any such a situation in this case; here the concurring decisions were on questions of fact, but both courts erred on questions of law.

On both questions presented by the Petition, the issue before this Court is whether the claims are for a part (element), or for a combination, and that involves a question of law and not a question of fact. Walker on Patents, 6th Ed. §239, p. 327; Robinson on Patents, vol. 2, §732, p. 481; see also Sanitary Co. v. Winters, 280 U. S. 30, 36. Petitioners' position is that the Court of Appeals in finding the claims to be for a part, rather than for a combination, misconstrued the patent. It is on that issue that the decision and judgment of the Court of Appeals is in conflict with the decision of this Court in the Mercoid Case and is further in conflict with the decision of the Circuit Court of Appeals for the Third Circuit in Gallion Co. v. Budd Co., 169 F. (2) 72.

The question is not simply whether "the claims of a patent are to be construed in the light of the patent specification and the prior art, and so as to protect the real contribution to the art wherever possible," Respondents' Brief p. 6, because in this case, during the prosecution of the application, Respondents deliberately surrendered the part or element and deliberately restricted the claims to the combination. That is something which Respondents entirely ignore, while the Court of Appeals misconstrued what happened by ascribing to the patent claims the

subject-matter of the cancelled claims as shown in our Supporting Brief, p. 21.

On our second question, Respondents' Brief pp. 6 and 7 again shows a misconception of our position. Petitioners did not take it upon themselves to tell this Court that this Court's decision in the Mercoid Case "completely eliminated the possibility of any holding of contributory infringement." Our Question (2), Petition page 8, is limited to a situation where an alleged contributory infringer supplies an old replacement part or element, simply dimensioned to be received in an old equipment assembly or combination, and as to which, as stated in our Brief p. 27, the patent involves "an abstract right in an abstruse combination," and the attempt is to bring "into its monopoly, all or any of the unpatented parts." The part or element here, Respondents' Brief p. 8, is not "a new and different part" performing "a new and different function"; see the Examiner's position, Petition p. 4, and Gerner's admission, Petitioners' Supporting Brief p. 26. On this question we asked this Court to rule in view of the importance of that question to the entire automobile replacement trade.

Respondents' attempted distinctions from the Mercoid Case, Respondents Brief, p. 6, are without force. In B-B Chemical Co. v. Ellis, 314 U. S. 495, 497, an attempt was made to distinguish from the Carbice and Leitch Cases, because in the Chemical case the defendant's acts

> ". . . amounted to active inducement of infringement by the shoe manufacturers and to cooperation with their infringing acts."

This Court, however, held that that was not such a distinction as to warrant this Court to sustain the suit for contributory infringement.

Finally, Respondents in their Brief, pages 2, 4 and 7, seek to distinguish this case as involving in addition to a charge of contributory infringement also a charge of unfair competition. This is not simply a suit for unfair competition where Petitioners seek to defend on the ground that a patent not in suit has been misused. This is a case involving infringement of the Gerner patent in suit coupled with a charge of unfair competition which, when all is said and done, is at most in aggravation of the infringement. Respondents still rely upon infringement of a patent which we assert has been misused. That patent is asserted, not simply against Petitioners but against manufacturers' agents and jobbers, Petition p. 6, several times removed from the mechanic who installs the part. This Court, as a Court of equity, is, therefore, warranted in refusing its aid.

As Petitioners pointed out in their Brief p. 22, the cases cited by this Court in the Mercoid Case p. 670, were not patent cases but cases of general application. Beesley v. Railway Co., 191 U. S. 492 was a bill to enjoin a railway company from building a depot within three miles of one already built. Virginian Railway Co. v. System Federation, 300 U. S. 515, was a suit under the Railway Labor Act. Harrisonville v. Dickey Clay Co., 289 U. S. 334 involved a suit for the abatement of a nuisance because of discharge of an effluent from a factory into a creek. United States v. Morgan, 307 U. S. 183 involved the application of the Packers and Stockyards Act. Those cases had been previously cited by this Court in Morton Salt v. Suppiger, 314 U. S. 488, 492, which was cited in Sola Electric Co. v. Jefferson Co., 317 U. S. 173, 177. The last case also cited Continental Wall Paper v. Voight and Sons, 212 U. S. 227, which involved a defense by a vendee of goods purchased from an illegal combination in pursuance of an illegal agreement; this Court said, 29 Sup. Ct. 292:

> "In such cases the aid of the court is denied, not for the benefit of the defendant, but because public policy demands that it should be denied without regard to the interests of individual parties."

Keystone Co. v. Excavator Co., 290 U. S. 240, also cited in the Morton Salt case, involved a suit on a number of patents. There was a suppression of evidence of a public use but as to only one of the patents; this Court, however, said, p. 246:

> "Neither the plaintiff's corruption of Clutter in respect of the first Downie patent nor its use in these cases of the Byers decree can fairly be deemed to be unconnected with causes of action based on the other patents."

What is involved here is a question of public policy. In this case Respondents have succeeded in obtaining a decree sustaining validity and contributory infringement of a patent which Petitioners assert Respondents have misused. As this Court said in the Morton Salt Case, 314 U. S. at page 493:

> ". . . Maintenance and enlargement of the attempted monopoly of the unpatented article are dependent to some extent upon persuading the public of the validity of the patent, which the infringement suit is intended to establish. Equity may rightly withhold its assistance from such a use of the patent by declining to entertain a suit for infringement, and should do so at least until it is made to appear that the improper practice has been abandoned and that the consequences of the misuse of the patent have been dissipated. Cf. B. B. Chemical Co. v. Ellis, post, p. 495."

As shown in the last statement above quoted, a refusal by this Court of the aid of this Court does not mean that

Respondents' rights in their patent are foreclosed in any future action; for, as this Court further said in the Chemical case, 314 U. S. at page 498:

> ". . . It will be appropriate to consider petitioner's right to relief when it is able to show that it has fully abandoned its present method of restraining competition in the sale of unpatented articles and that the consequences of that practice have been fully dissipated."

That was applied by the Court of Appeals for the Fifth Circuit in Novadel Corp. v. Penn., 119 F. (2) 764, where after a decision finding misuse, the patent owner advertised in trade journals that it would issue licenses without the purchase from it of the unpatented part, the Court said, pages 766, 767:

> "Improper use does not invalidate a patent, but the courts will not assist an offending patent owner against persons who infringe the patent while such improper practices continue. Improper use does not vest an infringer with a license for the life of the patent, for if a patent owner purges himself of the improper business practices he may then enforce his patent and recover damages for infringement occurring thereafter."

Here the Respondents have not seen fit to offer licenses to those desiring to actually install the part not covered by the patent in the combination covered by the patent. The fact that licensing may not suit the purposes of Respondents, nor even the preferences of the trade of which there is no evidence here, can make no difference; B. B. Chemical Co. v. Ellis, 314 U. S. at page 498. The fact is and of which this Court can well take judicial notice, there are large automobile fleet owners and repair shops connected with filling stations of many of the oil companies, where licenses would be practical.

It is, therefore, respectfully submitted that the Petition should be granted.

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